

**Veterans Services Foundation
Meeting Minutes
December 15, 2004**

A meeting of the Veterans Services Foundation (VSF) was held on Wednesday, December 15, 2004, at the offices of the American Legion Department of Virginia in Richmond.

Members Present

John Anderson; Lydia Dudley; Leroy Gross; Frank Louthan; Jon Mangis; and Raymond Smoot.

Members Absent

Margaret Eure; John Hanson; and Frederic Leigh.

Others Present

Sheryl Bailey, Deputy Secretary of Administration; C. L. "Bert" Boyd, Chief Deputy Commissioner, Virginia Department of Veterans Services; Steven Combs, Assistant to the Commissioner, Virginia Department of Veterans Services; Rhonda Earman, General Administration Supervisor, Virginia Department of Veterans Services; and Don Ferguson, Office of the Attorney General.

Materials Distributed

Meeting Agenda; draft Minutes of the September 30, 2004, meeting; Foundation Bylaws; Veterans Services Fund Sub-Fund Activity Balance Sheet; the Department of Planning and Budget's 2005 Budget Findings and Recommendations of the Department of Veterans' Services Study Group; copy of December 13, 2004, letter from Virginia Veterans Care Center Administrator, Bill Van Thiel; and the Joint Leadership Council of Veterans Service Organizations' 2005 Legislative Agenda.

Call to Order

With a quorum of 6 of 9 members present, Lydia Dudley, substituting as Chairman for John Hanson, called the meeting to order at 11:35 a.m.

Approval of Minutes

A **motion** was made, seconded, and passed unanimously to adopt the minutes of the September 30, 2004 meeting, with the following change:

P. 2, ¶ 2 – the sentence "It was noted that Trustees' travel reimbursements are exempt from state and local tax" should be stricken.

Comments from the Chairs

Ms. Dudley began her comments by saying that the Foundation had been in existence for a little over a year, but is still trying to gain its footing. Ms. Dudley thanked Jon Mangis, DVS staff and the trustees for their hard work and commitment in getting the Foundation up and running. Ms. Dudley suggested that the trustees consider as future discussion items what the true mission of

the Foundation should be, as well as the purpose and from whom donations to the Veterans Services Fund should come.

John Anderson reported that there had been lively discussion on the DVS budget proposal at the December 13 meeting of the Board of Veterans Services. The meeting was well attended and guests included several veterans advocates. Dr. Anderson said that the consensus at the meeting was that DVS has been “behind the funding curve” for quite some time. Dr. Anderson advised the trustees that the Department of Planning Budget (DPB) had conducted a study on the immediate needs of the agency at the request of the Secretary of Administration, and presented its recommendations at the Board meeting. The DPB study team found that the anticipated cost savings from the reorganization and consolidation of DVS had not been realized, because at least three administrative positions were not considered in the consolidation cost analysis. The study team’s current recommendations include fully funding all non-personal, and personal services, including filling all vacant service officer positions and adding one new service officer position.

Dr. Anderson said he would be sending a letter to the Governor requesting funding over and above DPB’s recommendations to increase the number of veterans service officers to a median level comparable to that of surrounding states, and to upgrade the part-time administrative support position at the Virginia Veterans Cemetery in Amelia to full-time status. Frank Louthan asked who would be taking the lead in determining the median number of service officers, and Dr. Anderson responded that Steven Combs in the DVS Commissioner’s Office has been tasked with that assignment.

Dr. Anderson also said the Board was establishing an ad hoc committee to examine strategic planning goals that would correlate with DVS funding objectives.

Leroy Gross asked when the Richmond Care Center would be completed, and Commissioner Mangis responded that the deed to the building site had been executed by the VA and that, after a 90-day comment period, the title transfer will be complete; it is expected that construction will begin in late March or early April, 2005. Commissioner Mangis also said DVS is in the process of finalizing a number of items on the VA’s checklist that must be completed by March 14, 2005.

Commissioner Mangis was asked what the source of the money currently on deposit in the Veterans Services Fund account was. The Commissioner responded that most of it was rental income from when the Virginia Veterans Care Center was operated by a private contractor, and that the remainder was from private donations.

Mr. Louthan stressed that it is important to segregate unrestricted funds from restricted funds on the books of the Veterans Service Fund. Commissioner Mangis responded that monies in the various sub-funds are managed and invested as one fund, but have separate accounting. Mr. Louthan emphasized that interest income should be attributed to unrestricted funds, and Mr. Boyd confirmed that that was the case.

Mr. Combs raised the question of what should be done with “unexpended” funds, i.e., money remaining after an expenditure is made for a specific use. Mr. Combs used the example of a donation in the amount of \$3,000 for a specific item like the Clavinova, but for which the cost amounted to only \$2,700 – what would happen to the remaining \$300? Discussion followed and Ms. Dudley suggested that the following three issues need to be addressed by the trustees:

- Ensure that interest earnings are allocated to unrestricted funds
- Determine how unexpended surplus should be handled
- Determine how tax-exempt information will be communicated to donors

With respect to the unexpended surplus issue, Sheryl Bailey suggested that donors be asked at the time the donation is made how they would like the surplus to be expended – whether to be deposited in an unrestricted account, or whether to be allocated for other, specific use(s). Another idea was to implement a policy that all unexpended surpluses would revert to the unrestricted fund after a specified period of time had elapsed.

Mr. Combs noted that he has consulted with Don Ferguson and Howard T. Macrae, Jr. of the Office of the Attorney General on the tax-exempt nature of donations to the Veterans Services Fund. Mr. Combs said that donations made to the Veterans Services Fund qualify for a tax deduction under Section 170(c) of the Internal Revenue Code, as long as such donations are expended for public purposes.

Mr. Combs noted that Mr. Macrae had made the suggestion that all donations be made payable to the Commonwealth of Virginia, since it is the state that is tax exempt under Section 170(c). It was decided, however, that would not be a good idea, as it might give the impression that the donation is being made to the Commonwealth at large, which would create the concern that the donation would not be used for the purpose it was intended. There was consensus that donations to the Fund satisfy the spirit and intent of the law with respect to tax exemption, since the Foundation is considered an entity of the Commonwealth. A suggestion was made to provide each donor with a thank-you letter from the Foundation stating that the donation is tax exempt. Everyone agreed that these points should be included in any policy the Foundation develops with respect to tax exemption.

Mr. Ferguson also said it would be a good idea to obtain a letter from the IRS stating that the Foundation is a tax-exempt organization, although such a letter is not required. Mr. Ferguson emphasized that the IRS letter also could serve as verification of tax-exempt status. Mr. Ferguson suggested that the Foundation pursue status as a 501(c)(3) organization. With this status, the Foundation could apply for federal grants, with the grant funding going directly to the Foundation, rather than to the Commonwealth at large. Mr. Ferguson suggested that any policy the Foundation develops be in line with IRS regulations and be modeled after the policies of similar bodies in the Commonwealth.

A **motion** was made, seconded and passed unanimously that the Department of Veterans Services take the necessary steps to have the Foundation recognized as a 501(c)(3) organization.

Dr. Bailey suggested that the descriptor for the first column in the Veterans Services Fund balance sheet be changed to something other than “General Funds” to avoid confusing the term with the “General Fund” of the Commonwealth.

Mr. Louthan emphasized the importance of making the accounting of all monies on deposit with the Veterans Service Fund available to the public.

Commissioner’s Update

Commissioner Mangis thanked Dr. Anderson for his time spent attending this and the other DVS board meetings over the past week. Commissioner Mangis also thanked Raymond Smoot for his time in meeting him at the VVCC to tour the facility. Mr. Smoot praised the VVCC staff for the superior level of care the VVCC residents receive on a consistent basis.

In follow-up to Dr. Anderson’s comments about DPB’s report to the Board of Veterans Services, Commissioner Mangis said that funding recommendations for DVS are expected to be included in the Governor’s budget proposal. Commissioner Mangis noted that the study was not an all inclusive, long-range analysis, because of the short time frame in which it was conducted.

Commissioner Mangis also said that the Board’s new Strategic Planning Sub-Committee will have completed its work before the biennial budget planning begins, and that benefits services will be given high priority during the budget process.

Commissioner Mangis reported that the proposed Richmond Care Center had been reduced from a 240-bed facility to 160 beds, due to a rise in construction costs and the decision to build all private rooms, as opposed to semi-private as originally planned. Commissioner Mangis informed the Board of an oral commitment between former directors of the McGuire VA Medical Center and the Virginia Department of Veterans Affairs to reconstruct the walking trail after the Richmond Care Center construction is complete, but said that funding for the project had not been included in the VA grant appropriation. Commissioner Mangis asked if the trustees would consider funding the project from the Veterans Services Fund. Mr. Louthan suggested soliciting assistance from community service organizations, and Commissioner Mangis said he also is considering enlisting the help of local Reserve and Guard units. Mr. Louthan suggested making the building of the walking trail a component of the construction firm’s contract.

Commissioner Mangis also reported that the new Albert G. Horton, Jr. Memorial Veterans Cemetery was dedicated on November 1, and that the remains of Mr. Horton and his spouse would be interred there this week. Commissioner Mangis said that it is hoped that a carillon will be constructed at the cemetery, although funding for the project had not yet been obtained; the structure’s concrete footer, however, is already in place. Commissioner Mangis said that funding for a carillon may be something the Foundation may want to consider.

Commissioner Mangis advised that a Supermarket of Veterans Benefits was held on December 9 in Middletown, and that there was good participation from state, federal and private partners.

Commissioner Mangis said that DVS hopes to hold additional supermarkets next year, but that there are limited funds available for this and other outreach programs. He asked if an appropriation from the Veterans Services Fund could be made for this purpose. Commissioner Mangis emphasized that events like the supermarkets attract younger veterans, like those returning home from Iraq and Afghanistan, and that this kind of outreach could help DVS partner with the military in debriefing these soldiers when they return from combat.

Ms. Dudley asked how many itinerate service points DVS has. Commissioner Mangis responded that because of budget shortfalls, the number has been reduced from 100 in 1989, to only 25 today.

Commissioner Mangis noted that veterans account for approximately one third of the homeless population, and made a suggestion that Foundation funds might be used to create a Homeless Veterans Program in DVS and create a Homeless Veterans Coordinator position. The coordinator could serve in a metropolitan area where homeless populations are the greatest, with an emphasis on housing and drug abuse counseling. Commissioner Mangis said it is a good idea to cooperate with community partners to tie together all services available to veterans.

Commissioner Mangis reported that the Joint Leadership Council of Veterans Service Organizations (JLC) had met on December 7. Commissioner Mangis noted that the JLC Chairman's 2004 Annual Report had been presented to the Board of Veterans Services at its December 13 meeting, and that the report was posted on the DVS Web site. Commissioner Mangis noted that the next meeting of the JLC is scheduled for January 11, 2005, just prior to the convening of the General Assembly Session. Commissioner Mangis also advised that several of the veterans service organizations have planned "Days on the Hill," at which their legislative priorities will be presented to state legislators.

Commissioner Mangis distributed a copy of a letter from VVCC Administrator Bill Van Thiel that included a request for a release of \$16,775 from the Veterans Services Fund to support Operation Holiday Spirit and for a release of \$3,000 for the purchase of the Clavinova. A **motion** was made, seconded and passed unanimously to approve a disbursement of \$16,090 for Operation Holiday Spirit, since that was the available balance in that sub-fund, and for a disbursement of \$3,000 for the Clavinova.

Other Business

Dr. Bailey proposed that trustees consider developing a policy statement with respect to the discussion items relating to interest earnings, unexpended surplus and tax exemption, and that the Department of Accounts (DOA) be consulted on any technical questions that may arise during the process. Ms. Dudley agreed that it would be best to use the same financial management procedures established by DOA for all state expenditures.

Public Comments

There were no public comments.

Next Meeting

The next meeting of the VSF was scheduled for March 9, 2005, at 11:00 a.m., with the meeting site to be determined. Mr. Louthan suggested that someone bring box lunches to the meeting and have the members pay for them, personally.

Adjournment

There being no further business, the meeting was adjourned at 1:45 p.m.